

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Deerfield	County Isabella
Fiscal Year End March 31, 2008	Opinion Date July 24, 2008	Date Audit Report Submitted to State July 29, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

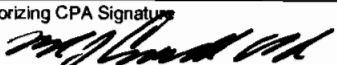
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Zip 48707			
Authorizing CPA Signature 	Printed Name Mark J. Campbell		License Number 1101007803

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 24, 2008

To the Township Board
Township of Deerfield
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Deerfield, Isabella County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Deerfield's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Deerfield, Isabella County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Deerfield covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$1,293,924.10 from governmental activities with a \$446,510.93 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan
CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total Governmental Activities 2007</u>	<u>Total Governmental Activities 2008</u>
Current Assets	734 355	1 181 445
Capital Assets	<u>481 201</u>	<u>437 358</u>
Total Assets	<u>1 215 556</u>	<u>1 618 803</u>
Current Liabilities	12 802	1 775
Non-current Liabilities	<u>344 066</u>	<u>311 830</u>
Total Liabilities	<u>356 868</u>	<u>313 605</u>
Net Assets:		
Invested in Capital Assets	137 135	125 528
Unrestricted	<u>721 553</u>	<u>1 179 671</u>
Total Net Assets	<u><u>858 688</u></u>	<u><u>1 305 199</u></u>

	<u>Total Governmental Activities 2007</u>	<u>Total Governmental Activities 2008</u>
Program Revenues:		
Fees and Charges for Services	29 211	31 663
General Revenues:		
Property Taxes	279 040	302 962
State Revenue Sharing	215 605	217 326
Interest	21 348	27 234
Miscellaneous	<u>99 067</u>	<u>714 739</u>
Total Revenues	<u>644 271</u>	<u>1 293 924</u>
Program Expenses:		
Legislative	12 529	11 363
General Government	169 362	184 472
Public Safety	168 524	124 665
Public Works	289 355	512 428
Interest on Long-Term Debt	<u>15 788</u>	<u>14 485</u>
Total Expenses	<u>655 558</u>	<u>847 413</u>
Increase (Decrease) in Net Assets	(11 287)	446 511
Net Assets, April 1	<u>869 975</u>	<u>858 688</u>
Net Assets, March 31	<u><u>858 688</u></u>	<u><u>1 305 199</u></u>

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Fire Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Total net assets at March 31, 2008, were \$1,305,198.85.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$697,924.29.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$7,085.00 in capital assets.

The Township's governmental activities paid \$32,236.18 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at 571 W. Pickard Road, Mount Pleasant, Michigan 48858.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>1 181 445 20</u>
Total Current Assets	<u>1 181 445 20</u>
NON-CURRENT ASSETS:	
Capital Assets	967 456 22
Less: Accumulated Depreciation	<u>(530 098 02)</u>
Total Non-current Assets	<u>437 358 20</u>
TOTAL ASSETS	<u><u>1 618 803 40</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 774 60</u>
Total Current Liabilities	<u>1 774 60</u>
NON-CURRENT LIABILITIES	<u>311 829 95</u>
Total Non-current Liabilities	<u>311 829 95</u>
Total Liabilities	<u>313 604 55</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	125 528 25
Unrestricted	<u>1 179 670 60</u>
Total Net Assets	<u>1 305 198 85</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 618 803 40</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	11 362 56	-	(11 362 56)
General government	184 472 04	27 016 90	(157 455 14)
Public safety	124 664 94	-	(124 664 94)
Public works	512 428 45	4 646 00	(507 782 45)
Interest on long-term debt	14 485 18	-	(14 485 18)
Total Governmental Activities	<u>847 413 17</u>	<u>31 662 90</u>	<u>(815 750 27)</u>
General Revenues:			
Property taxes			302 961 99
State revenue sharing			217 325 66
Interest			27 233 50
Miscellaneous			<u>714 740 05</u>
Total General Revenues			<u>1 262 261 20</u>
Change in net assets			446 510 93
Net assets, beginning of year			<u>858 687 92</u>
Net Assets, End of Year			<u>1 305 198 85</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	982 453 78	193 091 24	1 175 545 02
Due from (to) other funds	<u>75 319 22</u>	<u>(69 419 04)</u>	<u>5 900 18</u>
Total Assets	<u>1 057 773 00</u>	<u>123 672 20</u>	<u>1 181 445 20</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	<u>1 774 60</u>	<u>-</u>	<u>1 774 60</u>
Total liabilities	<u>1 774 60</u>	<u>-</u>	<u>1 774 60</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>1 055 998 40</u>	<u>123 672 20</u>	<u>1 179 670 60</u>
Total fund equity	<u>1 055 998 40</u>	<u>123 672 20</u>	<u>1 179 670 60</u>
Total Liabilities and Fund Equity	<u>1 057 773 00</u>	<u>123 672 20</u>	<u>1 181 445 20</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 179 670 60
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	967 456 22
Accumulated depreciation	(530 098 02)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Note payable	<u>(311 829 95)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>1 305 198 85</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Total</u>
Revenues:			
Property taxes	99 463 10	203 498 89	302 961 99
Licenses and permits	4 646 00	-	4 646 00
State revenue sharing	217 325 66	-	217 325 66
Charges for services – PTAF	4 888 00	-	4 888 00
Charges for services – other	1 150 00	-	1 150 00
Interest	26 985 97	247 53	27 233 50
Rent	20 978 90	-	20 978 90
Miscellaneous	<u>712 224 35</u>	<u>2 515 70</u>	<u>714 740 05</u>
Total revenues	<u>1 087 661 98</u>	<u>206 262 12</u>	<u>1 293 924 10</u>
Expenditures:			
Legislative:			
Township Board	11 362 56	-	11 362 56
General government:			
Supervisor	11 601 03	-	11 601 03
Elections	4 230 10	-	4 230 10
Assessor	19 738 00	-	19 738 00
Clerk	14 342 04	-	14 342 04
Board of Review	924 20	-	924 20
Treasurer	18 248 84	-	18 248 84
Building and grounds	63 777 33	-	63 777 33
Cemetery	6 154 14	-	6 154 14
Unallocated	27 769 36	-	27 769 36
Public safety:			
Fire protection	-	84 075 80	84 075 80
Planning and zoning	3 748 24	-	3 748 24
Ambulance	3 600 00	-	3 600 00
Public works:			
Highways and streets	504 903 45	-	504 903 45
Recycling	7 525 00	-	7 525 00
Capital outlay	-	7 085 00	7 085 00
Debt service	<u>-</u>	<u>46 721 36</u>	<u>46 721 36</u>
Total expenditures	<u>697 924 29</u>	<u>137 882 16</u>	<u>835 806 45</u>
Excess (deficiency) of revenues over expenditures	389 737 69	68 379 96	458 117 65
Fund balances, April 1	<u>666 260 71</u>	<u>55 292 24</u>	<u>721 552 95</u>
Fund Balances, March 31	<u><u>1 055 998 40</u></u>	<u><u>123 672 20</u></u>	<u><u>1 179 670 60</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	458 117 65
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(50 927 90)
Capital Outlay	7 085 00

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>32 236 18</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>446 510 93</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Deerfield, Isabella County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Deerfield. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 2 before they are added to the county tax rolls. The 2007 tax roll millage rate was 2.9729 mills, and the taxable value was \$101,812,534.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	30 years
Equipment	20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated five banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 181 445 20</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	500 000 00
Uninsured and Uncollateralized	<u>700 003 05</u>
Total Deposits	<u>1 200 003 05</u>

The Township of Deerfield did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Buildings	300 000 00	-	-	300 000 00
Equipment	660 371 22	7 085 00	-	667 456 22
Total	960 371 22	7 085 00	-	967 456 22
Accumulated Depreciation	(479 170 12)	(50 927 90)	-	(530 098 02)
Net Capital Assets	<u>481 201 10</u>	<u>(43 842 90)</u>	<u>-</u>	<u>437 358 20</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2008, was \$5,001.67.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Changes in Long-Term Debt

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
Note Payable				
Fire Equipment	344 066 13	-	32 236 18	311 829 95

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 9 – Note Payable Fire Equipment

On June 22, 2005 the Township obtained \$375,000.00 from Fifth Third Bank to finance fire equipment. As of March 31, 2008, the principal amount outstanding was \$311,829.95. The payment schedule is as follows:

<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>
6-22-08	13 128 04	33 593 32
6-22-09	11 713 76	35 007 60
6-22-10	10 239 94	36 481 42
6-22-11	8 704 07	38 017 29
6-22-12	7 103 54	168 730 32
Total	<u>50 889 35</u>	<u>311 829 95</u>

Note 10 – Building Permits

The Township of Deerfield does not issue building permits. Building permits are issued by the Joint Construction Code Authority.

Note 11 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	69 419 04	Fire	69 419 04
General	<u>5 900 18</u>	Current Tax Collection	<u>5 900 18</u>
Total	<u>75 319 22</u>	Total	<u>75 319 22</u>

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	96 000 00	96 000 00	99 463 10	3 463 10
Licenses and permits	1 000 00	1 000 00	4 646 00	3 646 00
State revenue sharing	211 000 00	211 000 00	217 325 66	6 325 66
Charges for services – PTAF	-	-	4 888 00	4 888 00
Charges for services – other	1 000 00	1 000 00	1 150 00	150 00
Interest	5 000 00	5 000 00	26 985 97	21 985 97
Rent	18 000 00	18 000 00	20 978 90	2 978 90
Miscellaneous	62 000 00	523 600 00	712 224 35	188 624 35
Total revenues	394 000 00	855 600 00	1 087 661 98	232 061 98
Expenditures:				
Legislative:				
Township Board	18 000 00	18 000 00	11 362 56	(6 637 44)
General government:				
Supervisor	15 000 00	15 000 00	11 601 03	(3 398 97)
Elections	3 000 00	5 000 00	4 230 10	(769 90)
Assessor	25 000 00	25 000 00	19 738 00	(5 262 00)
Clerk	19 000 00	19 000 00	14 342 04	(4 657 96)
Board of Review	5 000 00	5 000 00	924 20	(4 075 80)
Treasurer	24 000 00	24 000 00	18 248 84	(5 751 16)
Building and grounds	70 000 00	73 600 00	63 777 33	(9 822 67)
Cemetery	15 000 00	15 000 00	6 154 14	(8 845 86)
Unallocated	26 000 00	33 000 00	27 769 36	(5 230 64)
Public safety:				
Planning and zoning	21 000 00	21 000 00	3 748 24	(17 251 76)
Ambulance	15 000 00	15 000 00	3 600 00	(11 400 00)
Public works:				
Highways and streets	375 000 00	824 000 00	504 903 45	(319 096 55)
Recycling	20 000 00	20 000 00	7 525 00	(12 475 00)
Other:				
Contingency	5 000 00	5 000 00	-	(5 000 00)
Capital outlay	37 400 00	37 400 00	-	(37 400 00)
Total expenditures	693 400 00	1 155 000 00	697 924 29	(457 075 71)
Excess (deficiency) of revenues over expenditures	(299 400 00)	(299 400 00)	389 737 69	689 137 69
Fund balance, April 1	310 600 00	310 600 00	666 260 71	355 660 71
Fund Balance, March 31	11 200 00	11 200 00	1 055 998 40	1 044 798 40

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	91 000 00	91 000 00	203 498 89	112 498 89
Charges for service	1 500 00	1 500 00	-	(1 500 00)
Interest	60 00	60 00	247 53	187 53
Miscellaneous	<u>1 080 00</u>	<u>1 080 00</u>	<u>2 515 70</u>	<u>1 435 70</u>
Total revenues	<u>93 640 00</u>	<u>93 640 00</u>	<u>206 262 12</u>	<u>112 622 12</u>
Expenditures:				
Public safety:				
Fire protection	97 987 35	97 987 35	84 075 80	(13 911 55)
Capital outlay	25 800 00	25 800 00	7 085 00	(18 715 00)
Debt service	<u>47 000 00</u>	<u>47 000 00</u>	<u>46 721 36</u>	<u>(278 64)</u>
Total expenditures	<u>170 787 35</u>	<u>170 787 35</u>	<u>137 882 16</u>	<u>(32 905 19)</u>
Excess (deficiency) of revenues over expenditures	(77 147 35)	(77 147 35)	68 379 96	145 527 31
Fund balance, April 1	<u>77 147 35</u>	<u>77 147 35</u>	<u>55 292 24</u>	<u>(21 855 11)</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>123 672 20</u>	<u>123 672 20</u>

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Salaries	7 342 33
Dues and education	1 940 71
Miscellaneous	2 079 52
	<u>11 362 56</u>
Supervisor:	
Salary	11 050 04
Education	550 99
	<u>11 601 03</u>
Elections:	
Wages	2 327 00
Supplies	1 052 61
Miscellaneous	850 49
	<u>4 230 10</u>
Assessor:	
Contracted services	19 068 00
Miscellaneous	670 00
	<u>19 738 00</u>
Clerk:	
Salary	13 014 99
Education	912 07
Miscellaneous	414 98
	<u>14 342 04</u>
Board of Review:	
Wages	400 00
Miscellaneous	524 20
	<u>924 20</u>
Treasurer:	
Salary	14 506 96
Operating supplies	2 952 05
Miscellaneous	789 83
	<u>18 248 84</u>
Building and grounds:	
Wages	19 500 00
Operating supplies	7 143 79
Contracted services	13 851 64
Insurance	15 592 00
Utilities	6 718 93
Repairs and maintenance	503 00
Miscellaneous	467 97
	<u>63 777 33</u>
Cemetery:	
Contracted services	6 089 14
Miscellaneous	65 00
	<u>6 154 14</u>
Unallocated:	
Accounting	12 936 39
Audit	4 406 00
Attorney	121 00
Insurance	2 515 00
Pension	5 001 67
Payroll taxes	2 789 30
	<u>27 769 36</u>

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Planning and zoning:	
Wages	1 225 00
Contracted services	2 000 00
Miscellaneous	<u>523 24</u>
	<u>3 748 24</u>
Ambulance:	
Contracted services	<u>3 600 00</u>
Highways and streets:	
Contracted services	503 020 71
Street lighting	1 632 74
Miscellaneous	<u>250 00</u>
	<u>504 903 45</u>
Recycling:	
Contracted service	<u>7 525 00</u>
Total Expenditures	<u><u>697 924 29</u></u>

TOWNSHIP OF DEERFIELD
Isabella County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>7 979 98</u>	<u>3 211 998 91</u>	<u>3 214 078 71</u>	<u>5 900 18</u>
<u>Liabilities</u>				
Due to other funds	7 979 98	301 807 73	303 887 53	5 900 18
Due to others	<u>-</u>	<u>2 910 191 18</u>	<u>2 910 191 18</u>	<u>-</u>
Total Liabilities	<u>7 979 98</u>	<u>3 211 998 91</u>	<u>3 214 078 71</u>	<u>5 900 18</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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BAY CITY, MICHIGAN 48707

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FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 24, 2008

To the Township Board
Township of Deerfield
Isabella County, Michigan

We have audited the financial statements of the Township of Deerfield for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Deerfield in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Deerfield
Isabella County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants